

**PVTA
Pioneer
Valley
Transit
Authority**

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**MINUTES OF PVTA'S
FINANCE & AUDIT COMMITTEE MEETING
May 23, 2016**

The Finance and Audit Committee meeting of the Pioneer Valley Transit Authority was held on Monday, May 23, 2016 at 10:00 A.M. at the PVTA.

PRESENT:

Doug Slaughter, Amherst; Marilyn Ishler, South Hadley; Stephen Huntley, Chicopee; David Moskin, Hadley; Brian O'Leary, Belchertown;

Other's Present: Mary MacInnes, PVTA; Patty O'Leary, PVTA; Brandy Lamour, PVTA; David Elvin, PVPC;

NOT PRESENT:

Patrick Burke, Rider Representative

Steve Huntley, Chairman of the Finance & Audit Committee stated that the committee has a quorum and called the meeting to order at 10:05 A.M.

1. APPROVAL OF MINUTES OF FINANCE & AUDIT COMMITTEE

Chairman Huntley asked for a motion from the Finance & Audit Committee to approve the meeting minutes of September 23, 2015 and March 28, 2016.

Motion: Moved and seconded (O'Leary/Slaughter) to approve minutes from PVTA's Finance & Audit Committee meetings from September 23, 2015 and March 28, 2016.

Chairman Huntley asked if there was any discussion, hearing none, asked for all those in favor to say aye.

Motion passed by a unanimous vote.

2. FY 17 BUDGET

Chief Financial Officer, Patty O'Leary reported the following on PVTA's FY16 Budget to Actual:

Through the first 9 months both total revenue and expenses are virtually on budget.

Farebox revenue is virtually even with the budget and is projected to remain that way for the fiscal year. The small variance is mainly the SPS tripper contract cost about \$15K lower than projected due to changes in the routing.

Advertising revenue is projected to come in 9% higher than budget or \$26K as sales have increased and a bus wrap was sold this year generating revenue of \$10,800 by year end. This is the first bus wrap in many years.

Subrogation insurance recoveries are expected to come in over budget by almost \$50K as the vigorous pursuit of subrogation claims through the use of correspondence mailed to the at-fault insurance carrier pursuant to Massachusetts General Law, Chapter 93A practices, has started to show positive results. This system was put into place last year and it appears to be working. Interest and miscellaneous revenues are slightly lower than projected, netting a projected \$35K overage.

Capital Grant Reimbursement; funds received from the Hampden County Sheriff's Office \$119,699 for Stonybrook service and the remaining funding for the Travel Training Grant \$9,818 are included here. This line item will be very close to budget at year end. PVTa expected to receive \$118,525 for the Stonybrook Route but negotiated a slightly higher rate after analyzing the cost once the budget was completed. The Travel Training Grant was expected to be completed by the end for FY15 but extended one month into FY16.

Federal Operating Subsidy; planning, preventive maintenance, and ADA operating funds will be received under this line item. Currently planning funds are running under budget for the first quarter due to timing of invoices. The planning subsidy is expected to stay on budget. PVTa expects to draw down slightly less in federal funding to account for the decrease in overall expenses over budget.

After PVTa's budget was produced, the amount of State Contract Assistance approved in the State budget was \$125,620 shorter than what MassDOT had estimated. This line item will run under budget all fiscal year.

While the price of fuel has lead to great savings for both the paratransit and fixed route services, recent trends are indicating this is a temporary situation and PVTa must be mindful of future rises in diesel and gasoline.

The Administration expenditures are estimated to come in under budget by approximately 7% or \$303K.

Services; Line items in this category include: Legal, Planning, Marketing, Printing, and auditing. Most of the savings for this category (\$200K) are due to the delay in the Smart Card installation and the associated marketing campaign. It is expected that these funds will be spent and budgeted in the next FY. Legal services are projected to fall under budget by \$30K this fiscal year as this area has been relatively quiet. All other line items within this category are close to the original budget.

Interest; PVTa borrowed \$10.8 million dollars, instead of the \$13 million that was budgeted due to continued cash flow efficiencies with forward funding and monthly receipts of local assessments. Interest savings by year end over budget are estimated to be \$27,601.

Equipment, Maintenance & Supplies; Increases in HVAC work, copier maintenance cause most of this increase.

Allocated ITS Support; This line item is expected to be over budget by year end as increasing support has been necessary primarily due to the implementation of the Customer Service POS system.

Paratransit ridership is up 9.5% through March of 2016. Sunday Trips, which cost PVRTA a rate of \$28.00 per trip, has risen even faster at an average of 11% this year.

The amount of money spent on off-peak service was higher than projected over the first nine months. PVRTA paid for 1,716 more off-peak trips or \$48K than budgeted. Assuming that trend continues it is estimated that this part of the paratransit budget will actually run over by \$65K. Two amendments were negotiated with the Hulmes contract this year, one to add \$55K for additional dispatching capabilities to assist with performance issues, and another to add \$51K to compensate for the minimum wage requirement passed by the Commonwealth of Massachusetts in June of 2014. Deductions taken for performance related issues, estimated at -\$28K by year end help reduce the overall overage paid to the contractor

Fuel is running under budget due to the drop in fuel prices. The budgeted price per gallon was \$3.15. For the first seven months, PVRTA has paid an average of \$1.64 per gallon for over 346,000 gallons of gasoline. Recent trends in the market are showing indications that those prices are beginning to rise upwards. Additionally, PVRTA has been purchasing more and more gallons of fuel as the paratransit ridership and miles has continued to increase.

For the remainder of the year, with recent trends heading up, the projected average per price of gasoline is \$1.70. Every .10 cents per gallon fluctuation means a \$42,000 variance in this budget. PVRTA under its current contract pays the following discounted price for gasoline at the pump.

Maintenance Equipment and Miscellaneous is projected to come in under budget. The age of the fleet has attributed to this. This line item is offset by a credit to the SATCO subsidy.

Allocated Insurance is over budget as a large claim was settled out of court this year. That claim was expected to go to court and not be settled until the FY 17 budget year. This claim involved a collision between a PVRTA paratransit van and a motorcycle containing the motorcycle operator and his 12 year old daughter. The minor was thrown from the motorcycle immediately following the collision and slid down the roadway. The combined demands for settlement made by the claimants' attorney totaled over \$1 Million. We settled for \$338,514 (including all legal bills). This claim has been paid out of our self insured retention and comes directly out of our operating dollars. We directed our defense counsel to file a "friendly suit" to protect the interests of PVRTA in the future because the daughter is a minor. We have obtained a court order approving the settlement for the minor to prevent her from filing any litigation against the PVRTA in the future.

Allocated ITS Support; This line item is expected to be over budget by year end as increasing support has been necessary primarily due to the increasing reliance on ITS support for daily operations and implementation of a pilot COA program which will begin in FY 17 but has to be set up in FY 16.

Fixed Route Service; diesel fuel was budgeted at \$2.45 per gallon for FY 16. Both SATCO and UMTS are projected to purchase very close to the budgeted gallons of diesel this Fiscal year.

SATCO/VATCO savings projected through the end of the year as follows; PVRTA renegotiated the First Transit Management structure and rate after the budget was approved. First Transit now supplies PVRTA with a one person management team rather than a 2 person team. PVRTA reduced the fee for this service by \$121,583. This savings will be reduced by \$57K in FY 16 and \$91K in FY17 with the addition of an Assistant Director of Operations for SATCO.

Maintenance labor is expected to come in under budget by \$50K as there was a delay in hiring new staff. There has also been a delay in hiring operators therefore savings in medical insurance (offset by overtime pay) of \$100K is expected by year end. The balance of the savings at SATCO is the new service operating more efficiently than projected (approximately \$100K).

Materials and supply expense is under budget by \$97K. The new buses in the fleet continue to cost much less than expected.

All other SATCO line items are close to budget.

UMTS is projected to be over budget by \$74K. New service at UMTS increased ridership through April by 7% or over 450,000 extra passengers. Operator labor is the primary reason for the overage as it had to be increased to handle an increase in passengers of this magnitude.

Ms. O'Leary reported the following on PVRTA's FY17 Final Budget:

The Fiscal Year 2017 budget in total is 2% higher than the FY 2016 Projection.

The Fiscal Year 2017 Budget contains \$115,445 in new service. Frequencies will be increased on both the B7 and P21X routes to accommodate increased ridership.

Union Station is scheduled to open on January 1, 2017. The addition to the PVRTA Fiscal Year 2017 budget for locating the bus hub there and the customer service center is \$410,772. The Springfield Redevelopment Authority is holding firm on its \$22,000 per year CAM charge on the bus births (PVRTA has 18) and other CAM and utility charges. Of the \$410,772, there is an estimated \$119,000 in costs that are one time only and will not continue beyond FY 17.

Diesel fuel was locked in at a rate of \$1.77 for the entire fiscal year. This low price will save PVRTA almost \$800,000 over FY 16.

Three positions were added to the SATCO/VATCO operations in order to provide supervision and maintenance support for the new service and facilities.

Insurance expenses for Fixed Route and Paratransit are dependent upon 3 categories of costs and allocated to each mode of transit by claims made. Those cost categories are:

- Premium expense charges
- Claim payments made
- Insurance reserve amounts as compared to prior year reserves

Our insurance broker, Eastern Insurance Group, LLC is predicting increases of 3% on all our policies.

The adjustments(s) to the reserve will be made due to the analysis of open claims, and in particular one large potential claim. The CFO and Administrator believe that the insurance reserve should be increased by \$350,000 in FY 17.

IT support services is expected to cost almost \$100,000 more in FY 17 over the FY 16 projection. These services are allocated based on time spent to the various modes: Fixed Route, Paratransit, and Administrative. For FY 17 the allocation percentages are: 73%, 22%, and 5% respectively.

IT Support services contracts all have to be bid during FY 2017. This will be the first time these services have been procured in over 5 years. The hourly rates for these services are expected to increase; the expected increase is reflected in this budget.

PVTA currently uses four communication tower locations. Of the four locations PVTA historically has been paying for the use of two of them. During FY 2017 anticipated changes to the cost structure of the current locations will result in a significant increase in the current tower rental cost. An additional tower location is required to support the new public safety 800 MHz frequency radio system that is being deployed. This additional tower location rental is reflected in the current budget.

Farebox revenue is budgeted to remain level with FY 16, except for an increase in school tripper revenue as per the contract.

Advertising revenue is budgeted to remain level with FY 16.

Interest, Insurance, Miscellaneous; very slight increase projected in FY 17 over FY 16.

Capital Grant Reimbursement; Stonybrook service is now the only item in this category.

State Contract Assistance (SCA) for FY 17 is currently level funded with FY 16.

Local Assessments will increase by 2.5% over FY 16 in the aggregate as allowable by law.

Both Fixed Route contractors, First Transit and UMASS Transit Services submitted detailed line item budgets and narratives. In addition to the submitted expenses of the contractors, PVTA pays directly for some of the contractors' expenses. Those items are detailed in this budget provided and include items such as:

- Equipment and Maintenance: Technical radio services (SATCO)
- Telephone: Phones, T1 lines, Cable, Cell phones and air cards (SATCO)
- Utilities: Water and sewer (VATCO)
- Miscellaneous: Tower rentals, project management, radio troubleshooting, CORI checks, inspections

First Transit/SATCO/VATCO; Fixed Route management services were procured in FY 12 and First Transit was awarded the contract. For the FY 17 budget, the management fee is \$236,172.

Diesel fuel was locked in at a rate of \$1.77 for the entire fiscal year. This low price will save PVTA \$623,000 for the SATCO/VATCO service area.

Three positions were added to the SATCO/VATCO operations in order to provide supervision and maintenance support for the new service and facilities. These positions added \$253,371 to this budget.

University of Massachusetts; UMTS has submitted a budget that has increased 4.8% or \$108K over FY 16 primarily due to contractual labor obligations. Diesel fuel purchased by PVTA for UMTS will save this operation \$168K.

Shuttle Service; PVTA operates Fixed Route shuttles in three of its communities: Ware, Palmer, and Easthampton. Those services are currently provided for by Hulmes Transportation Services, Inc. and paid for on a service level basis. Assumptions were made for the budget as these services will be procured for in FY 2016.

Paratransit service provided by Hulmes is expected to increase by 6.6% in FY 17. The contractor payments are expected to increase by 5%, 3% by contract and 2% assuming a full schedule and less incentive deductions. Additionally, the effect of the new Massachusetts minimum wage law is expected to increase this cost to PVTA by \$61,820 in FY 16.

A pilot COA program will begin in FY 17 in order to address the continuing needs of senior riders in the PVTA service areas. Four COA's will provide transportation services to PVTA senior riders in their communities as well as organizing group trips to abutting communities(i.e. medical, shopping, etc). Towns will be provided funding based off of the number of PVTA provided senior van trips taken by senior residents in their community in FY16. The PVTA will be providing 1 van that has reached the end of its useful life to each of these participating communities. These donated vans will be maintained for a period of one year at no cost by the COA's. The program is slated to begin in September of 2016.

Fuel costs continue to cause the greatest concern for our Paratransit expenses. The FY 17 budget contains 425,000 gallons of gasoline at an average cost per gallon of \$1.95.

Van Maintenance is performed by our Fixed Route contractor at the Springfield Garage (SATCO). The cost of maintaining the vans is billed to PVTA and paid directly to SATCO. This cost is projected by SATCO and is expected to increase substantially as it was uncharacteristically low in FY 16.

Overall Administration expenses increased by 6.2% over FY 16 projected actual. PVTA Administrative Costs comprise 9% of all Expenditures in the FY 17 budget.

Personnel; Wages are budgeted to increase by 3.3%. There is a 3% merit increase in this budget and another \$4,500 for an intern to assist in the paratransit system redesign.

Health Insurance premiums are expected to increase 8% for next year. Final numbers are expected to be calculated in the middle of June. Long Term Disability, life and accident insurance increased marginally by 3%. All other fringe increases are wage based (FICA, UHI, Unemployment). PVTA will continue to fund the minimum required pension contribution again in FY 16 as we have for the past 2 years. The FY 17 budget contains another pension shortfall payment of \$500K. In total, fringes increased 3.3% as we had some changes in health insurance selections that favored PVTA.

An extra \$100,000 in Marketing dollars were allocated through this budget in order to fund a large campaign to kick off the Smart Card campaign, the Union Station opening, the Westfield Pavilion opening, and contract with a professional marketing firm for services related to the above and all marketing for the PVTA.

The planning line item was reduced as there is no BRT study this year. The net effect was an overage of \$67K over last fiscal year.

The FY 17 budget is projecting to borrow the same amount as FY 16, \$10,800,000 at an interest rate of 1.5% with a discount of \$75,000. That will amount to an interest expense of \$86,100 in FY 17. The interest rate is equal to that received last year and the discount is in line with historical trends over the past 3 years.

Rental/Janitorial/Union Station; As mentioned previously, Union Station is scheduled to open on January 1, 2017. The relocation of the PVTA Customer Information offices to Union Station amounts to an increase of \$62,113 over FY 16.

All Other Administrative line items are close to last fiscal year.

Chairman Huntley asked if there was any discussion from the Committee.

David Moskin asked if there were any areas of concern.

CFO O'Leary stated yes because there are a lot of moving parts.

Doug Slaughter asked what PVTA does at the end of the year if there is a surplus and the possibility of creating a line item to build up a reserve fund for other postemployment benefits (OPEB).

CFO O'Leary stated that we put any surplus into insurance reserves and will look into adding a line item for OPEB.

Chairman Huntley asked for a motion from the Finance & Audit Committee to recommend the full board approve PVTA's FY17 Final Budget.

Motion: Moved and seconded (O'Leary/Ishler) to recommend the full board approve PVTA's FY17 Final Budget.

Chairman Huntley asked if there was any discussion, hearing none, asked for all those in favor to say aye.

Motion passed by a unanimous vote.

A full report of PVTA's Fiscal Year 17 final budget has been filed with the minutes of this meeting.

3. OTHER BUSINESS

Chairman Huntley reported that there is no other business to discuss.

4. ADJOURNMENT

The meeting of the PVTA Finance & Audit Committee adjourned (Ishler/Slaughter) at 10:57 A.M.

A TRUE RECORD

ATTEST:


BRANDY LAMOUR

Documents filed with Finance Committee Meeting packet:

- FY16 Budget to Actual Report
- FY17 Final Budget Report
- May 23, 2016 Finance & Audit Committee Meeting Minutes